12 T.C. 552 (1949)

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A corporation’s taxable year covers twelve months if it remains in existence and does not cease to exist unless it ceases business, dissolves, and retains no valuable claims on which it may sue after dissolution.

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Summary

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Allegheny Broadcasting Corporation, as transferee of KQV Broadcasting Co., disputed the Commissioner’s determination that KQV’s 1945 tax return should cover only January 1 to February 28, 1945, annualizing the income for that period. The Tax Court held that KQV, although ceasing business on February 28, 1945, continued its existence throughout 1945 while winding up affairs and securing tax clearances. Therefore, KQV was entitled to file its return for the full calendar year, and annualizing the income was inappropriate. This decision hinged on KQV’s continued existence as a legal entity, not just its business operations.

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Facts

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KQV Broadcasting Co. operated a radio station in Pittsburgh. In November 1944, Allegheny Broadcasting acquired all of KQV’s stock. Desiring direct ownership, Allegheny applied for FCC permission to transfer KQV’s license and assets. Anticipating approval, KQV requested tax clearance certificates from Pennsylvania in December 1944, necessary for dissolution. On February 27, 1945, the FCC granted permission, and on February 28, 1945, KQV transferred all assets and liabilities to Allegheny. KQV continued seeking tax clearances, settling a tax dispute in January 1946. KQV filed its 1945 tax return for the full calendar year. KQV was formally dissolved on February 8, 1946.

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Procedural History

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The Commissioner determined that KQV's 1945 tax return should cover only January 1 to February 28, 1945, and assessed a deficiency based on annualized income for that short period. Allegheny Broadcasting, as transferee, contested this determination in the Tax Court. The Tax Court ruled in favor of Allegheny Broadcasting, finding that KQV was entitled to file for the entire calendar year.

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Issue(s)

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Whether the Commissioner properly treated KQV Broadcasting Co.'s 1945 excess profits tax return as a return for a

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